



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Personnel, Payroll and Recording of Time Worked by Employees</i>	Issued:	02/21/12
Manual Section(s):	Section II, Subsection I, Personnel and Payroll	Effective:	02/21/12
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TO: Technical Bulletin Administrators
Human Resources Personnel
Payroll Personnel
All Agencies

FROM: D. Clark Partridge
State Comptroller

AUTHORITY

29 CFR 778	Overtime Compensation
A.R.S. § 23-351	Designation of paydays for employees; payment; exceptions; violation; classification
A.R.S. § 23-391	Overtime pay; work week
A.R.S. § 35-131	Accounting system; reports; notice of deficiency; forms
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance
A.R.S. § 41-732	Powers and duties relating to general accounting activities
A.A.C. R2-5-402	Holidays
A.A.C. R2-5-404	Sick Leave

DEFINITIONS

ADOA: Arizona Department of Administration.

ADOA payroll system: Currently, the HRIS.

Agency: Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government. In contexts that are directive in nature, the use of the term “agency” may imply that employee or those employees within the organization—such as the agency head, the CFO, etc.—responsible for carrying out the procedures under consideration.

Agency head: The chief executive officer of any agency.

COBRA: Consolidated Omnibus Budget Reconciliation Act; a federal law that, under certain circumstances, gives workers who lose their health benefits the right to choose to continue group coverage for a limited time after leaving employment.

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Employee: Any individual being paid compensation under the authority of any payroll system of the Government of the State of Arizona.

ETE: Employee Time Entry, an automated time entry and reporting system utilized by some agencies that use HRIS.

ETE deadline: The time each pay period at which all statewide time and attendance records are transferred from ETE to HRIS; currently this occurs at 6:00 pm Arizona time of the last scheduled working day of each two-week pay period.

Form GAO-32: Employee Time Entry—Manual Entry Form. For employees that work for agencies using ETE, the form to be used for the first and last pay periods of employment and other special situations.

GAO: General Accounting Office; a division of the Arizona Department of Administration.

He/him/his: For brevity and clarity, masculine singular pronouns are used throughout. Feminine or plural pronouns may be substituted, as appropriate.

HRIS: Human Resources Information Solution, the State's primary automated personnel and payroll system administered by the Arizona Department of Administration.

HRIS deadline: The time each pay period by which all statewide time and attendance records, adjustments and other payroll payroll-related entries must be entered into HRIS; currently this occurs at 2:00 pm Arizona time of the Tuesday of each pay week.

Leave: A compensated or uncompensated absence from work while still employed.

Leave Request: An official request by an employee to his supervisor for approval of the dates and times of the employee's absences.

New employee orientation: A class taken by a newly hired employee soon after his start date that introduces him to employment with Arizona State Government.

Pay period: A period of two consecutive workweeks; compensation for these two workweeks is totaled and remitted to the employee during the pay week. A calendar of the State's pay periods and for the year can be found at <http://www.gao.az.gov/publications/payrollreport/default.asp>.

Pay week: The week following a pay period. Compensation is remitted to employees during a pay week. A calendar of the State's pay periods and pay weeks for the year can be found at <http://www.gao.az.gov/publications/payrollreport/default.asp>.

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Payment card: Any one of a number of cards issued by the State to one of its employees that may be used as prescribed to purchase or pay for goods or services for the State. Among such payment cards are: the Voyager Card, used to purchase gasoline for State-owned vehicles; the P-Card, a card used for general procurement and payment; the Corporate Travel Card, an employee-liability card issued to State employees to pay for authorized expenses incurred when traveling for the State; the Central Travel Account card (if and when a physical card exists), used by agencies to pay for employee travel.

RASL: Retiree Accumulated Sick Leave; an Arizona law that offers eligible State employees, when they retire, the opportunity for partial payment of unused sick leave.

Records Retention Schedule: A publication of the Arizona State Library, Archives and Public Records (SLAPR) Division of the Arizona Secretary of State that, under the provisions of A.R.S. § 41-1351, establishes the length of time records are to be kept. SLAPR publishes a number of general as well as agency specific Records Retention Schedules; the Records Retention Schedule that relates to this technical bulletin is the “General Records Retention Schedule for State Agencies, Boards and Commissions / Financial.”

Start date: The first date of an employee’s employment with the State for which he receives compensation.

State Comptroller: A chief financial officer of the State of Arizona and principal executive of the GAO, or his designee.

State service: Employment with the Government of the State of Arizona.

State service holiday: One of the ten days per calendar year, as defined by A.A.C. R2-5-402, an employee is entitled to be absent from work with pay.

Time Record: The official record of hours for which an employee is to be paid. When applicable, it should include a total of hours worked or leave taken, by day, for a given pay period, and include the dated signatures—actual or electronic—of the employee and the employee’s supervisor.

INTRODUCTION

Payroll, consisting of employee salaries, wages and related expenses, constitutes a significant expenditure for the State. Employees expect and should receive prompt and accurate payment of salaries and wages. The processing of payroll is therefore an extremely important function requiring strict controls and close supervision.

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The entities that comprise the State of Arizona use a variety of methods for entering and recording the days and hours worked by their employees. Some of these methods are highly automated—like HRIS and ETE—and others are not. In many cases, the automated systems perform a number of checks, verifications and validations. This fact, however, does not relieve management’s responsibility either for assuring that accuracy of payroll information or for maintaining internal controls sufficient to mitigate the likelihood of errors.

This technical bulletin is the first step in an overall revision and expansion of Section II, Subsection I of the State of Arizona Accounting Manual, entitled “Personnel and Payroll,” which this policy entirely supersedes.

POLICIES & PROCEDURES

General Policies & Procedures

1. Each new employee must be oriented as soon as possible after his start date; this is typically accomplished by the employee’s attending a new employee orientation session.
2. Payroll preparation, timekeeping and personnel record-keeping duties must be segregated. The duty of disbursing payroll warrants in particular should be assigned to an individual not responsible for establishing new personnel records, entering time records or preparing payroll warrants.
3. Agency payroll personnel must review payroll information to ensure it has been properly recorded.
4. To the extent practicable, payroll duties should be rotated among employees periodically. In circumstances that do not permit rotation of payroll duties, adequate compensating controls—in the form of additional review and verification, etc.—should be established.
5. Agency separation procedures must include:
 - a. The preparation of a form by the management of the separating employee that accounts for the recovery of or accounting for travel advances and the return of keys, equipment, payment cards, etc.;
 - b. Ensuring that terminating employees have information concerning whom to contact regarding COBRA and RASL;

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- c. Performing a final review of any termination payment; and,
 - d. Ensuring that a terminated employee receives his final check in accordance with legal requirements.
6. To the extent practicable, each agency (or, in the case of larger agencies, each division) should designate one employee as the agency payroll coordinator and a second employee as the payroll coordinator's alternate. These employees are responsible for reviewing time and attendance records for agency employees and ensuring that all employees are accounted for. These employees should receive adequate training and requisite system access. The alternate's role is to be always ready to provide coverage during the absence of the payroll coordinator.
7. The fact that some automated systems incorporate particular controls and checks does not reduce management's responsibility for maintaining internal controls or eliminate the need to retain certain manual verification processes.

Time Reporting Policies & Procedures

8. The accuracy of salaries and wages is dependent upon the proper reporting of employee time records; therefore, individual time records must be reviewed and approved by supervisory personnel.
9. Except in the case of an emergency, all overtime and leave requests must be approved in advance.
10. To avoid overpayments, all leave to be paid must be verified against the employee's accrued leave balances; this verification must be conducted prior to approval of the employee's time record.
11. In accordance with the State's General Records Retention Schedule for Financial Records (www.lib.az.us/records/schedules_and_manuals.aspx), employee time and leave records must be retained for three (3) years after the fiscal year created or received.
12. All State agencies should submit their employees' time records by the prescribed deadline to be reviewed by their supervisor. Whenever possible, forecasted time should be minimized to reduce the need for adjustments.
13. It is the responsibility of the employee to ensure his time record is accurate, completed and submitted in accordance with the deadlines set by his agency. If the employee knows he

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will be unavailable to complete the entry of a pay period's time, the employee should, if practicable, communicate this to his supervisor.

14. It is the responsibility of the supervisor to complete the review and approval of his employees' time records in accordance with the deadlines set by the agency. If the supervisor will be unavailable for the review and approval of time records, the supervisor should communicate this to his supervisor or designated proxy.
15. It is the responsibility of the agency payroll coordinator or his designated alternate to review all payroll-related entries (e.g., time entries, labor distributions, adjustments, etc.) before the applicable deadlines; any entries, adjustments that must be made after the applicable deadline will have to be submitted to the agency payroll office. The applicable statewide deadlines are:
 - a. For ETE, 6:00 pm Arizona time of the last scheduled working day of each two-week pay period.
 - b. For HRIS, 2:00 pm Arizona time, Tuesday of each pay week.
 - c. For other State systems, the time and date established by an agency for completion of certain payroll related processes.
16. Some circumstances (e.g., new hires, separating employees, employee transfers, system issues, etc.) may prevent an employee from submitting an electronic time record. To accommodate such situations, if the time recording system used is ETE, a Form GAO-32 should be completed and sent, as applicable, to the agency payroll coordinator or his designated alternate for processing.
17. Under Federal law, overtime compensation and/or compensatory time are not earned in any workweek until forty (40) hours have been worked. Consequently, no overtime hours should be recorded for any workweek until forty (40) hours have been worked.
 - a. Strictly speaking, this means that when an employee has worked forty-five (45) hours in a workweek, spread evenly over a five-day workweek, the hours should be recorded as shown below:

Day	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Regular Hours	9	9	9	9	4
Overtime Hours	0	0	0	0	5

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- b. However, it is recognized that under certain circumstances, in order to achieve appropriate recovery of programs costs, etc., it becomes necessary or desirable to record the hours that contributed to the accumulation over overtime to the days upon which excess hours were worked. This can be accomplished by adjusting one's hours on an after-the-fact basis, but only after the required forty (40) hours for the workweek have already been worked. Thus, when an employee has worked forty-five (45) hours in a workweek, spread evenly over a five-day workweek, the hours can retroactively be adjusted and recorded as shown below:

Day	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Regular Hours	8	8	8	8	8
Overtime Hours	1	1	1	1	1

HRIS Policies & Procedures

18. All State agencies utilizing the ADOA payroll system must conform to the State workweek, which begins Saturday at 12:00:00 a.m. and ends Friday at 11:59:59 p.m.
19. The correct pay codes, shift codes, deduction codes and, if applicable, attendance codes must be used when recording hours, pay, deductions, reimbursements, etc.
20. Unless there is an automated time clock system in use, all worked hours are to be recorded to the nearest 15 minutes (0.25 hour). In accounting for time to be recovered under a grant, hours worked can be rounded to the nearest 30 minutes (0.50 hour).
21. Hours worked must be recorded to coincide with the day on which they were actually worked.
22. All leave hours, except holiday leave and leave payout hours, should be recorded to coincide with days the employee is normally scheduled to work.
23. Holiday pay (pay code 320) and holiday leave earned (pay code 321) should be recorded to coincide with a day on which a State holiday is observed.

Exceptions to Policy

24. Exceptions to any of the provisions of this policy are subject to the prior written approval of the State Comptroller.

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AREAS IMPACTED

All State agencies.

CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

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